

**Philanthropy New York  
PNY Core: Financial Series**

**Intro to Financial Statements (2/14/23)  
*Terminology Sheet***

1. **Financial Management** – The processes of planning, accounting, reporting and analysis of financial activities for an organization all centered around a system of internal controls.
2. **Internal Controls** – A system or plan of accounting and financial organization within a business comprising all the methods and measures necessary for safeguarding its assets, checking the accuracy of its accounting data or otherwise substantiating its financial statements, and policing previously adopted rules, procedures, and policies as to compliance and effectiveness. i.e. “the checks and balances” in an organization.
3. **Accounting** – The system of recording and summarizing business and financial transactions and analyzing, verifying, and reporting the results
  - a. **Cash Accounting** – a method of accounting in which income and expenses are recorded in the period when payment is received or made
  - b. **Accrual Accounting** – a method of accounting in which income and expenses are recorded in the period when they are earned or incurred regardless of when the payment is received or made
4. **Transactions** – any exchange of economic consideration that can be reasonably measured and affects the organization’s financial position
  - a. **Reciprocal** – Getting something in return for economic consideration
  - b. **Non-reciprocal** – Not getting something in return for economic consideration
5. **Donor-Imposed Condition** – A donor stipulation (donors include other types of contributors, including makers of certain grants) that represents a barrier that must be overcome before the recipient is entitled to the assets transferred or promised.
6. **Donor-Imposed Restriction** – A donor stipulation that specifies a use for a contributed asset that is more specific than broad limits resulting from the following:
  - a. The nature of the not-for-profit entity (NFP)
  - b. The environment in which it operates
  - c. The purposes specified in its articles of incorporation or bylaws or comparable documents for an unincorporated association.

7. **Accounts** – A record of debit and credit entries to cover transactions involving a particular item or a particular person or concern. Transactions accumulate in accounts, building balances throughout a period of time
  - a. **Assets** – An item of economic value that is expected to yield a benefit in future periods
  - b. **Liabilities** – An organization’s legal debts or obligations
  - c. **Net Assets** – The total assets minus the total liabilities of a company or individual – i.e. owner’s equity, shareholder’s equity, or net worth
  - d. **Revenue** – Represents inflows that the organization has received or is entitled to receive
  - e. **Expenses** – The cost that a business incurs through its operations to earn revenue
  
8. **Financial Reporting** – The accumulation of accounts in the form of financial statements to report on the financial health of the organization
  - a. **Internal Reporting** – Financial reporting presented to an organization’s internal parties such as management and the Board.
  - b. **External Reporting** – Financial reporting presented to external parties such as independent auditors, IRS (Form 990) and other stakeholders (funders, bankers, etc)
  
9. **Financial Statement Audit** – An objective, independent examination of an organization’s accounts or financial situation
  
10. **Statement of Financial Position (Balance Sheet)** – A snapshot of the resources, obligations, and worth of an organization at a specific point in time
  
11. **Statement of Activities (Income Statement)** – Measures the cumulative resource inflows and outflows for an organization over some specified period of time
  
12. **Cash Flow Statement** – Measures the cumulative cash inflows and outflows for an organization over some specified period of time
  
13. **Statement of Functional Expenses** - Detailed listing of expenses by function (program, administrative, and fundraising)
  
14. **Footnotes** – Report the details and additional information that are left out of the main reporting documents